

Approved For Release 2009/08/28 : CIA-RDP87-00868R000100080002-6

UNITED STATES CIVIL SERVICE COMMISSION BUREAU OF RETIREMENT AND INSURANCE WASHINGTON 25, D.C.

"U.S. CIVIL SERVICE COMMISSION"
AND REFER TO

FILE RS: HEH: pal and date of this letter (42)

President

Government Employees Health Assn., Inc.
P. 0. Box 463
Washington 4, D. C.

DEC 18 1962

Dear

As you will soon be preparing the Annual Accounting Statement on the operations of your plan under the Federal Employees Health Benefits Program, we believe a review of some of the requirements for the preparation of the statement may be appropriate. The statement shall cover operations for the period from November 1, 1961 through October 31, 1962. It should be received in the Commission no later than February 1, 1963; however, we would appreciate receiving it at the earliest date possible. We hope you will follow closely the Explanatory Notes Applicable to Interim and Annual Accounting Statements previously furnished you. The submission of all necessary supporting schedules and work papers will also facilitate our review.

The subscription charges transmitted to you during the period November 1961 through October 1962 must be reported on line 1A "Subscription Charges Received" as follows:

High Option

\$ 1,526,015.16

Low Option

96,620.95

Total

\$ 1,622,636.11

We have transmitted subscription charges through December 10, 1962 applicable to pay periods ending October 31, 1962 as follows:

High Option

\$ 124,592.39

Low Option

6,416.70

Total

\$ 131,009.09

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The basic payroll subscription charges included in these figures are through September 29, 1962. In order to close the Federal Employees Health Benefit Fund accounts as of October 31, 1963, prior to the actual receipt of the subscription charges for pay periods ending November 10, 1962 which will close out the contract period, we have accrued an estimate of the following to be added to the \$131,009.09:

High Option	\$ 186,888.59
Low Option	9,625.05
Total	\$ 196,513.64

We would suggest that the accrued subscription charged to be reported on line 1B(2) of the statement be as follows:

Total	\$ 327,522.73
Low Option	16,041.75
High Option	\$ 311,480.98

The Health Benefits accrued shown on lines 2B(2)(a) and (b) must be supported by an attached schedule showing in detail the method by which the accrual is derived.

We again remind you that the administrative expenses reported in the annual statement against the contract must not exceed the amount of percentage limitations of total subscription charges provided in your contract for this item. In support of these amounts, we would appreciate schedules or reproduction of work papers which summarize the amount of expenses incurred by type of service, such as salaries, rent, travel, supplies, etc. Where an overhead item is added to the actual incurred cost for this contract, the support of the overhead on the schedule should include an analysis and justification. This schedule will be subject to audit and must be supported by books and records. Your attention is also drawn to your contract which provides that the administrative charges shall be only the actual, necessary incurred expenses determined on an equitable and reasonable basis, with proper justification and accounting support. Certain items of expense such as advertising and promotion for new business, entertainment, donations, and contributions are not allowable costs under this contract.

Section 5 of the statement must be prepared to show the cumulative results of operations in the total column only. The high and low option data are not applicable and should not be computed.

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Investment Income to be reported on line 5B should be supported by an attached schedule. The attention of Mutual of Omaha Insurance Company should be invited to the fact that they have not complied with the provisions of paragraph 3, Item 6 of General Provisions, of the policy relative to advising the Commission, in advance, of the interest rate to be agreed upon. We would appreciate being notified of this rate, for the third contract period, as soon as possible.

Accounting Statements for the third contract year will be due as follows:

"As of" Date of Report	Period to be Covered	Due in C. S. C.
March 31, 1963 June 30, 1963 October 31, 1963	5 months 8 months 12 months	June 1, 1963 September 1, 1963 No later than February 1, 1964

For your information, the Contingency Reserve (including interest income) held in the Federal Employees Health Benefits Fund for your plan as of October 31, 1962 was \$111,981.50. It is suggested that any reports you prepare for internal informational purposes within your organization include this item as a footnote. It requires no accounting treatment.

In my letter of September 26, 1962 you were informed that we would furnish you data this month regarding the number of persons from whom no deductions were made for a June 1962 pay period. According to our tabulation made from the reports submitted to us in June 1962, the following number of enrollees were in a non-pay status for the last pay period paid in June 1962:

	Number 1n		
Code	Non-pay Status		
421	<u> 1</u> 4.		
422	1		
423	2		

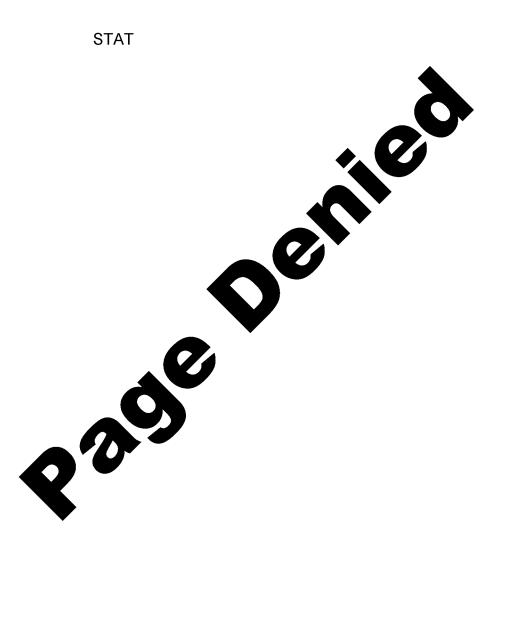
The above numbers are undoubtedly overstated in some instances because of the losing agency's practice of carrying employees in non-pay status pending the completion of the personnel actions to release the employee to a gaining agency where deductions are already being made.

We wish to express our appreciation for the cooperation accorded us by you and your staff throughout the past contract period.

Sincerely yours,

Harold E. Hunsaker Chief, Systems & Audits

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UNITED STATES CIVIL SERVICE COMMISSION

WASHINGTON 25, D. C. OFFICIAL BUSINESS

> Bureau of Retirement and Insurance Contracts and Instructions Division U. S. Civil Service Commission Room 304 - Pension Building Washington 25, D. C.

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